matzikama

MUNISIPALITEIT

VIREMENT POLICY

2016/2017

(REVIEWED – NOT AMENDED)

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1. PREAMBLE

Cognisance taken of the need that may arise to transfer within approved votes due to the change in circumstances and other factors.

2. DEFINITIONS

"Accounting officer" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

"Approved budget," means an annual budget-
(a) approved by a municipal council, or
(b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Budget transfer" means transfer of funding within a function / vote subject to limitations.

"Budget Year" means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

"Chief Financial Officer" means a person designated in terms of section 80(2) (a) of the MFMA;

"current year" means the financial year, which has already commenced, but not yet ended;

"delegation", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"financial year" means a twelve months period commencing on 1 July and ending on 30 June each year

"municipal council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"municipality"-
(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or

(b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"municipal service" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"National Treasury" means the National Treasury established by section 5 of the Public Finance Management Act;

"official", means-
(a) an employee of a municipality or municipal entity;
(b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
(c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"overspending"-
(a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
(b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
(c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"quarter" means any of the following periods in a financial year:
(a) 1 July to 30 September;
(b) 1 October to 31 December;
(c) 1 January to 31 March; or
(d) 1 April to 30 June;

"virement" refer to the definition of budget transfer

"vote" means-
(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

3. ABBREVIATIONS

1. CFO – Chief Financial Officer
2. IDP – Integrated Development Plan
3. MFMA – Municipal Finance Management Act No. 56 of 2003
4. SDBIP - Service Delivery and Budget Implementation Plan

4. OBJECTIVE OF POLICY

This policy shall give effect to the requirements and stipulations of the Municipal Finance Management Act and Municipal Budget and Reporting Framework in terms of the Approved budget.

The policy sets out the virement principles and processes which Matzikama Municipality will follow during a financial year.

These virements will represent a flexible mechanism to effect budgetary amendments within a municipal financial year.

The policy shall apply to all staff and councillors of the Matzikama Municipality that are involved in budget implementation.

5. VIREMENT CLARIFICATION

Virement is the process of transferring budgeted funds from one line item number to another, with the recommendation of the relevant Director to the CFO or delegated finance official, to enable the Budget Office to effect the adjustments.

6. FINANCIAL RESPONSIBILITIES

Strict budgetary control must be maintained throughout the financial year to ensure that potential overspends and / or income under-recovery within individual vote departments are identified at the earliest possible opportunity. (Section 100 MFMA)

The Chief Financial Officer has a statutory duty to ensure that adequate financial policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls. (Section 27(4) MFMA)

It is the responsibility of each manager or head of a department or activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 102.

7. VIREMENT PROCEDURE

a) All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation. (See annexure 1)

b) All virements must be signed and motivated by the relevant Director of the directorate within which the vote is allocated. (Section 79 MFMA)

c) Projected cash flows in the SDBIP should be adjusted in line with the virement.

d) All documentation must be in order and approved before any expenditure can be committed and incurred. (Section 79 MFMA)

e) No virements of funds across votes (directorates) will be accommodated during the year; unless within the adjustments budget
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f) All virementations must be motivated and need to be approved by the CFO or a delegated official after the Director of the department has recommended said transfer. The latter requires that such application reaches the office of the CFO prior to incurring expenditure.

g) No virements after the closing of orders as stipulated in the financial protocol and/or formally communicated in line with the financial year-end preparation will be considered unless in an absolute emergency that could reasonably not have been foreseen.

8. VIREMENT RESTRICTIONS

a) No funds can be viremented between the different types of budgets (E.g. virements can only be made from basic capital to basic capital and operating to operating)

b) No virement shall create new capital projects without the approval as contemplated or allowed by the adjustments budget process.

c) The budget savings from the following line items (necessary adjustments) may only be considered and transferred by the CFO

(i) Salaries and allowances
(ii) Depreciation
(iii) Finance Charges (Interest on Loan)
(iv) Appropriations
(v) Contributions to Funds
(vi) Administration Cost
(vii) Municipal Services Consumption (Water, Electricity, Refuse and Sewerage)
(viii) Internal charges
(ix) Bulk Purchases (Water and Electricity)
(x) Agency Fees
(xi) Grants and subsidies paid

d) No virement may be made where it would result in over expenditure. (Section 32 MFMA)

e) Virements may not be made between Expenditure and Income.

f) Virements across expenditure categories can only be authorised by the CFO. (eg. From one “Repairs and Maintenance” vote number to a “General Expenses” vote number.

g) No virement may commit the Municipality to increase recurrent expenditure, which commits the Council’s resources in the following financial year, without the prior approval of the Mayoral Committee. This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copiers or fax machines.

h) No virement shall add to the **staff** establishment of the Municipality without the approval of the Municipal Manager.

i) If the virement relates to an increase in the work force establishment, then the Council’s existing recruitment policies and procedures will apply.

j) Budget allocations may not be transferred from support service (interdepartmental) costs, Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.

k) Budget allocations may only be transferred from Salaries if approved by the CFO.

l) Virements in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.

m) No virements are permitted in the first three months or the final month of the financial year without the express agreement of the CFO.

n) No virement proposal shall affect amounts to be paid to another Department without the agreement of the Manager of that Department as recorded on the signed virement form. (Section 15 MFMA)

o) Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)

p) An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the procurement/supply chain management policy of Council as periodically reviewed.

9. ACCOUNTABILITY

a) Accountability to ensure that the virementation application forms are completed in accordance with Council's virement policy and are not in conflict with the directorate's strategic objectives manifests with the head of the relevant directorate.

b) Approved Virements will be reported for information to the Executive Mayor on a quarterly basis or as part of an adjustments budget.

Annexure 1
MATZIKAMA MUNICIPALITY

VIREMENT APPLICATION: OPERATING / CAPITAL BUDGET

This form must be:

1. Completed in duplicate
2. Signed by both Vote Custodians
3. Signed by the Head of Department
4. Approved by the Chief Financial Officer

NOTE:

1. The maximum virement is R100,000.
2. The votes involved must be within the same Service and transfers to/from operating to capital are not allowed.
3. No virements are allowed in the first three months and the last month of the financial year.

TRANSFER REQUIRED: R ..... BUDGET YEAR: 20.... / 20....

	FROM	TO
DEPARTMENT		
SECTION		
VOTE DESCRIPTION		
VOTE NUMBER		
ORIGINAL / REVISED BUDGET PROVISION		
COMMITTED TO DATE (Excluding transfers)		
VOTE CUSTODIAN		

MOTIVATION:

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SDBIP CHANGES:

Key Performance Indicator:
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Cost to Budget : R .....
Target Date: .....

Quarterly Targets:
Quarter 1: ..... (Indicate change from approved SDBIP)
Quarter 2: ..... (Indicate change from approved SDBIP)
Quarter 3: ..... (Indicate change from approved SDBIP)
Quarter 4: ..... (Indicate change from approved SDBIP)

Monitoring Mechanisms:
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_____	_____
VOTE CUSTODIAN (FROM)	VOTE CUSTODIAN (TO)
Date:	Date: .....

_____
HEAD OF DEPARTMENT
Date: .....

FOR FINANCE DEPARTMENT USE

Checked by: ……. Date: …….. Manager: B & T

Approved by: ……..Date: …….. CFO

Budget adjustment processed by: …….. Date: ……

Authorised by: ……. Date: …… Municipal Manager (only when applicable in terms of Virement Policy)